

# **Human Resource Management in International Settings**

An Overview of the HRM Field and International HRM  
Gender and Agribusiness Seminar  
February 5, 1999

John J. Lawler  
Institute of Labor and Industrial Relations  
<mailto:j-lawler@uiuc.edu>

The purpose of this paper is to provide the member of the GAP team with an overview of major issues in human resource management (HRM), particular those issues relevant to the concerns of the project. My presentation focuses on the following principal issues:

- Core HRM concepts
- International HRM
- Cultural and gender issues in international HRM

## **Core HRM Concepts**

The term "human resource management" has been commonly used for about the last ten to fifteen years. Prior to that, the field was generally known as "personnel administration." The name change is not merely cosmetic. Personnel administration, which emerged as a clearly defined field by the 1920s (at least in the US), was largely concerned the technical aspects of hiring, evaluating, training, and compensating employees and was very much of "staff" function in most organizations. The field did not normally focus on the relationship of disparate employment practices on overall organizational performance or on the systematic relationships among such practices. The field also lacked a unifying paradigm.

HRM developed in response to the substantial increase in competitive pressures American business organizations began experiencing by the late 1970s as a result of such factors as globalization, deregulation, and rapid technological change. These pressures gave rise to an enhanced concern on the part of firms to engage in strategic planning--a process of anticipating future changes in the environment conditions (the nature as well as level of the market) and aligning the various components of the organization in such a way as to promote organizational effectiveness.

Although the technical aspects of traditional personnel administration are still an

integral component of HRM, strategy formulation and implementation has become its dominant and integrating paradigm. Human resource (HR) managers are concerned with designing overall employment systems that are internal complementary and ultimately contribute to the firm's attainment of its principal goals. The function is also seen to be much closer to the strategic apex of the firm than personnel administration.

The strategic human resource management (SHRM) literature envisions HR managers as utilizing, in effect, a kind of toolkit of HRM methods that can be crafted into an overall organizational HR system. Schuler (1988), for example, argues that the general organization strategies firms generate give rise to a need to promote specific behaviors on the part of employees (e.g., risk-taking vs. risk-avoidance, individual vs. team-based, innovative vs. conventional); HR strategies are then designed to elicit desired behavioral repertoires. Issues addressed in HR strategy formulation include:

Staffing: Does the firm rely primarily on *internal* versus *external* sources in filling jobs? Are career paths *broad* versus *narrow*? Is there a *single* or are there *multiple* promotion ladders? Are the criteria used in making staffing decisions *explicit* versus *implicit*? Does the firm rely on *extensive* versus *limited* socialization? Are the staffing procedures generally *open* versus *closed* and *secretive*?

Compensation: Does the firm pay generally *low* versus *high* wages in comparison to the market? Is there an emphasis on *internal* (task-based) versus *external* (market-based) equity in compensation decision? Are there *few* versus *many* fringe benefits? Does the company utilise *many* versus *few* performance incentives? Finally, does the firm offer *high* employment security, coupled with variable pay, versus *low* employment security, coupled with fixed pay (i.e., does the firm lay people off rather than cut pay in times of adversity)?

Training and development: To what extent does the firm engage in training and development efforts? If it does, are these *short-term* versus *long-term* in focus? Is training *narrow* versus *broad* and is the focus on *enhancing productivity* versus *improving employee quality of life*? Is training *planned* and *systematic* versus *spontaneous*?

The above are only some of the activities that serve as the design components of HR strategies; others include employee assessment, job design, employee involvement, and labor-management relations. Of course, HR strategy may vary within organizations, depending upon the strategic objectives associated with a particular component of the firm.

There is an extensive empirical literature in the SHRM area that has investigated the relationship between HRM strategies and organizational performance (stock market performance (e.g., yield), accounting measures (e.g., return on

investment), and subjective measures). This work has generally demonstrating statistically meaningful relationships between strategy and performance (Arthur, 1994; Delaney and Huselid, 1996; Delery and Doty, 1996; Huselid, 1995; Huselid, Jackson, and Schuler, 1997; Ichniowski, 1990; Ichniowski, Shaw, and Prennushi, 1993). An important issue in this research is the extent to which empirical analysis indicates that certain universal "best practices" are superior to contingency approaches that utilize HR strategies designed be highly complementary to organizational strategy. Much of the evidence seems to support the former view, with "high performance" or "high involvement" work systems seemingly have generally superior effects. Such systems are typically teamed-based, with lower level employees enjoying greater autonomy than in conventional organizations. High-involvement HRM strategies also are characterized by performance-based pay, an emphasis on training, employee participation.

There is considerable work in HRM on issues related to opportunities for women at all levels in organizations, including factors the promote the so-called "glass ceiling." The conventional wisdom of HRM today seems to be that organizational diversity is generally good for the firm by promote a variety of perspectives and insights (not too mention, of course, legal requirements). I have heard mention of some research that has shown that diverse firms (including those with significant opportunities for women at all levels) have higher levels of performance than firms that are more homogeneous or those that have high levels of occupational segregation by gender. Unfortunately, I do not have the specific references.

### **International HRM**

Work on international HRM breaks down into three major categories: HRM practices and expatriate employees in multinational corporations (MNCs), HRM practices and host-country nationals as employees of MNCs, and comparative employment systems. The first topic is not really relevant to GAPs concerns. The second and, to some extent the third, are. Let me deal primarily with HRM practices and host-country nationals here, with more on comparative HRM issues in following section.

A crucial issue in HRM and host-country nationals (HCNs) is the extent to which an MNC elects to transfer its national or global HRM system to a particular subsidiary or allow the subsidiary to develop (or maintain existing) employment practices rooted in indigenous practices. This seems to depend upon a range of factors, including the structure of the MNCs market (is it a globally unified or diverse?), the significance of a given subsidiary to the MNC's overall operations, the importance of specific employee behaviors as the MNC's source of competitive advantage, the degree to which the MNC controls the subsidiary (in

joint-venture situations) and the extent to which host-country culture and employment laws differ from those of the MNC's home country (the greater the differences, the less likely the transfer of home-country practices) (Taylor, Beechler, and Napier, 1996). Empirical work on the transfer of HRM practices is extensive and varied (e.g., Rosenzweig and Nohria, 1994; various articles in Jain, Lawler, and Morishima, 1998).

### **Cultural and Gender Issues in International HRM**

Much of the work in the international HRM area concerns ways in which national culture impacts employment practices in host countries and the limitations culture creates regarding the ability of MNCs to transfer employment practices to host countries.

National culture may be thought of as the values, beliefs, perceptual orientations, and norms typical of the members of a particular society. The introduction of management techniques inconsistent with national culture can lead to the failure of the method, not to mention conflict between an MNC and its employees and, perhaps, the broader society. Comparative studies of national culture across a large number of countries is limited because of the significant costs associated with data collection. A study by Hofstede (1991), using data collected in around 60 countries in the late 1970s, remains influential despite controversy over his methodology and interpretation of the findings. However, other work (e.g., Triandis, 1995), would tend to support the general findings of Hofstede.

There are various dimensions of culture that have been identified and can be measured (via survey questionnaires) cross-nationally. Hofstede's work focuses on four such dimensions, all of which are related to work behaviors:

*Individualism/collectivism:* The extent to which personal versus group objectives govern a person's life. Most industrialized Western countries have individualist cultures, while much of the rest of the world is collectivist, including virtually all developing countries.

*Power distance:* The extent to which a low-status person accepts and legitimizes the power and influence of high-status persons. Power distance and individualism/collectivism are correlated, so that individualist cultures are generally low on power distance (less hierarchical) and collectivist cultures are typically high on power distance (more hierarchical). Again, industrialized Western countries are generally lower on power distance and most other countries are higher.

*Masculinity/femininity:* The extent to which aggressiveness and material well-being are valued in a society versus good interpersonal relationships and general quality of life. "Masculine" cultures may also

tend to be more patriarchal, while "feminine" cultures tend to have greater inequality between the sexes. This dimension does not seem to be related to economic development or even geographical location. Japan has the highest score of any country on the masculinity dimension, though several other East Asian countries score in the middle of the scale. Egalitarian societies, such as the Scandinavian countries, tend to have more feminine cultures.

*Uncertainty avoidance:* Cultures where people are troubled by change and risk.

Work specifically on gender issues in the international HRM field is somewhat limited. A book edited by Adler and Izraeli (1994) contains several case studies of countries from all parts of the world; the authors discuss the extent to which women have achieved managerial positions in these countries and consider the role factors such as national culture have played in promoting opportunity for women.

More quantitative work by Deva and Lawler (1998), using aggregate national data from the UN database on women, combined with Hofstede's national culture norms, suggests that culture certainly plays a distal, but perhaps not a proximate, role in generating employment opportunities for women. Ironically, the masculinity/femininity dimension seems unrelated to the proportion of managers in a country that are women; more important is the degree to which the country's culture is individualist or collectivist. Individualist cultures tend to emphasize personal achievement and merit as a basis for mobility, whereas collectivist cultures are more ascriptive. Thus, individualism is positively related to employment opportunity for women in managerial positions.

Some work suggests that workforce gender composition in subsidiaries of MNCs tends to conform to host-country norms (Rosenzweig and Nohria, 1994). However, some of our work suggests that the national culture of an MNC's home country, which presumably influences the firm's corporate culture, carries over to policies regarding employment opportunities for women in a developing country that imposes no specific limitations on gender-based employment discrimination (Lawler and Bae, 1998). This study was conducted in Thailand, though more recent work we have done finds similar relationships in Taiwan.

## REFERENCES

- Adler, N., and Izraeli, D., (eds.) (1994). *Competitive Frontiers: Women Managers in a Global Economy*. Cambridge, MA: Blackwell.
- Arthur, J. 1994. Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37: 670-687.
- Begin, J.P. 1997. *Dynamic human resource systems: Cross-national comparisons*. Berlin: DeGruyter.
- Bird, A., & Beechler, S. 1994. Links between business strategy and human resource management strategy in U.S.-based Japanese subsidiaries: An empirical investigation. *Journal of International Business Studies*, 26: 23-46.
- Delaney, J.T., & Huselid, M.A. 1996. The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39(4): 949-969.
- Delery, J.E., & Doty, D.H. 1996. Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39: 802-835.
- Deva, V., and Lawler, J. (1998). Gender roles and culture: A cross-cultural study of women in management. Working Paper, Institute of Labor and Industrial Relations, University of Illinois.
- Hofstede, G. 1991. *Cultures and organizations: Software of the mind*. New York: McGraw-Hill.
- Huselid, M.A. 1995. The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38: 635-670.
- Huselid, M.A., Jackson, S.E., & Schuler, R.S. 1997. Technical and strategic human resource management effectiveness as determinants of firm performance. *Academy of Management Journal*, 40: 171-188.
- Ichniowski, C. 1990. Human resource management systems and the performance of U.S. manufacturing businesses. National Bureau of Economic Research (Working Paper No.3449).
- Ichniowski, C., Shaw, K., & Prennushi, G. 1993. The effects of human resource management practices on productivity. Unpublished paper presented at the ILR School, Cornell University.
- Jain, H., Lawler, J., and Morishima, M. (eds.) (1998). Special issue on MNCs and host-country employment issue. *International Journal of Human Resource Management*, Volume 9, No. 4 (entire issue).
- Lawler, J. and Bae, J. (1998). Overt employment discrimination by multinational firms: cultural and economic influences in a developing country, *Industrial Relations* 37:126-150.
- Schuler, R. (1988). Human resource management choices and organizational strategy. In R. Schuler, S. Youndblood, V. Huber (eds.) *Readings in Personnel and Human Resource Management*. St. Paul, MN: West Publishing, pp. 24-39.
- Rosenzweig, P. M., Nohria, N. (1994). Influences on human resource management practices in multinational corporations. *Journal of International Business Studies* 25:229-251.
- Taylor, S., Beechler, S., and Napier, N. (1996). Toward an integrative model of strategic international human resource management. *Academy of Management Review* 21: 959-985.
- Triandis, H. (1995). *Individualism and Collectivism*. Boulder, CO: Westview Press.